
State: Illinois **Filing Company:** PACO Assurance Company, Inc.
TOI/Sub-TOI: 11.0 Medical Malpractice - Claims Made/Occurrence/11.0003 Chiropractic
Product Name: OUM Chiropractic Program
Project Name/Number: Multi-State Policy Rule /IL-2386-C

Filing at a Glance

Company: PACO Assurance Company, Inc.
Product Name: OUM Chiropractic Program
State: Illinois
TOI: 11.0 Medical Malpractice - Claims Made/Occurrence
Sub-TOI: 11.0003 Chiropractic
Filing Type: Rule
Date Submitted: 02/14/2014
SERFF Tr Num: PCAG-129416929
SERFF Status: Closed-Filed
State Tr Num:
State Status:
Co Tr Num: IL-2386-C

Effective Date: 06/01/2014
Requested (New):
Effective Date: 06/01/2014
Requested (Renewal):
Author(s): Judy Shepperd
Reviewer(s): Gayle Neuman (primary)
Disposition Date: 02/20/2014
Disposition Status: Filed
Effective Date (New): 06/01/2014
Effective Date (Renewal): 06/01/2014

State Filing Description:

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General Information

Project Name: Multi-State Policy Rule
Project Number: IL-2386-C
Reference Organization:
Reference Title:
Filing Status Changed: 02/20/2014
State Status Changed:
Created By: Judy Shepperd
Corresponding Filing Tracking Number:

Status of Filing in Domicile:
Domicile Status Comments:
Reference Number:
Advisory Org. Circular:

Deemer Date:
Submitted By: Judy Shepperd

Filing Description:

PACO Assurance Company, Inc. wishes to file for the department's approval the below listed new rule to our OUM Chiropractic Program.

We respectfully request an effective date of June 1, 2014 for both new business and renewal business.

The primary purpose of this filing is described below:

1. Rating Manual Supplement - Multi-State Policy

We are expanding our rating rule for multi-state policies to address instances where the company believes a physician who practices in more than one state presents a higher risk than reflected in the rate level of the primary state of practice, or in cases where a physician requests higher limits outside of the primary state of practice. Specifically, the company may apply a surcharge when it believes the practice outside of the primary state of practice occurs in an area with a higher frequency and/or severity than the primary state of practice or if higher limits are requested outside of the primary state. Currently, the company does not apply a surcharge in these instances since this information is not generally collected in all states. Therefore, it is difficult to estimate the rate level impact for this revision. We believe the implementation of this rule will have a negligible impact in rate level and are proposing to implement as a revenue neutral change. However, if the actual impact of implementing this rating plan is material, this impact will be reflected in future rate filings and an appropriate offset to the base rate will be reflected.

Please let me know if you need any additional information for the review of this filing.

Company and Contact

Filing Contact Information

Judy Shepperd, Senior Compliance Specialist
3000 Meridian Boulevard
Franklin, TN 37067
jshepperd@picagroup.com
615-371-8776 [Phone] 2984 [Ext]

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Filing Company Information

PACO Assurance Company, Inc.	CoCode: 10222	State of Domicile: Illinois
3000 Meridian Boulevard	Group Code: 2698	Company Type:
Suite 400	Group Name: ProAssurance	State ID Number:
Franklin, TN 37067	Corporation	
(800) 251-5727 ext. [Phone]	FEIN Number: 36-3998471	

Filing Fees

Fee Required? No

Retaliatory? No

Fee Explanation:

State Specific

Refer to our checklists prior to submitting filing (http://insurance.illinois.gov/Prop_Cas_IS3_Checklists/IS3_Checklists.asp):
 Acknowledged

Refer to our updated (04/06/2007) SERFF General Instructions prior to submitting filing. They have been updated to clarify what rates and rules are required to be filed as well as what rates and rules are not required to be filed. Also, the "Product Name" is the Filing Title and not the Project Number.: Acknowledged

NO RATES and/or RULES ARE REQUIRED TO BE FILED FOR LINES OF COVERAGE SUCH AS COMMERCIAL AUTO (except taxicabs), BURGLARY AND THEFT, GLASS, FIDELITY, SURETY, COMMERCIAL GENERAL LIABILITY, CROP HAIL, COMMERCIAL PROPERTY, DIRECTORS AND OFFICERS, ERRORS AND OMISSIONS, COMMERCIAL MULTI PERIL just to mention a few. However, a Summary Sheet (RF-3) is required to be filed. Please refer to the State Specific Field below for what rates/rules are required to be filed and to our checklists for specific statutes, regulations, etc. :

http://insurance.illinois.gov/Prop_Cas_IS3_Checklists/IS3_Checklists.asp : N/A

Medical Malpractice rates/rules may now be submitted using SERFF effective January 1, 2012.: Acknowledged

The only rates and/or rules that are required to be filed are Homeowners, Mobile Homeowners, Dwelling Fire and Allied Lines, Workers' Compensation, Liquor Liability, Private Passenger Automobiles, Taxicabs, Motorcycles and Group Inland Marine Insurance which only applies to insurance involving personal property owned by, being purchased by or pledged as collateral by individuals, and not used in any business, trade or profession per Regulation Part 2302 which says in part, "each company shall file with the Director of Insurance each rate, rule and minimum premium before it is used in the State of Illinois.": N/A
 When selecting a form filing type for a multiple form filing, use the dominant type from these choices: APP - application; CER - certificate; COF - coverage form; DPS - declaration page; END - endorsement; POJ - policy jacket; ORG - Companies adopting an Advisory or Rating Organization's filing. Example: If you are submitting a policy as well as endorsements, a declaration page and an application, you would select "POL" for policy.: N/A

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Gayle Neuman	02/20/2014	02/20/2014

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Gayle Neuman	02/18/2014	02/18/2014

Response Letters

Responded By	Created On	Date Submitted
Judy Shepperd	02/20/2014	02/20/2014

State:	Illinois	Filing Company:	PACO Assurance Company, Inc.
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Disposition

Disposition Date: 02/20/2014
Effective Date (New): 06/01/2014
Effective Date (Renewal): 06/01/2014
Status: Filed

Comment:

Rate data does NOT apply to filing.

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Explanatory Memorandum		Yes
Supporting Document	Form RF3 - (Summary Sheet)		Yes
Supporting Document	Certification		Yes
Supporting Document	Request to Maintain Data as Trade Secret Information		Yes
Supporting Document	Manual		Yes
Rate	Rating Manual Supplement - Multi-State Policy Ed. 6-2014		Yes

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Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	02/18/2014
Submitted Date	02/18/2014
Respond By Date	02/25/2014

Dear Judy Shepperd,

Introduction:

This is to acknowledge receipt of your filing. Your submission is not acceptable for filing in Illinois due to the following reasons:

Please indicate if your company has a plan for the gathering of statistics or the reporting of statistics to statistical agencies? If yes, what stat agency is being used?

You have removed wording indicating that each insured is to be rated in the territory where they practice more than 50% of the time, however you still provide rates for two separate territories. Please clarify.

Conclusion:

Sign up to get e-mail notification for updates to the Department's website. <http://insurance.illinois.gov/RSS/>

Please refer to the appropriate Property Casualty IS3 Review Requirements Checklist before submitting any filing. The checklists are available at the Department's Web site or at the following link:

http://insurance.illinois.gov/Prop_Cas_IS3_Checklists/IS3_Checklists.asp

Please submit compliant form(s) no later than the date shown above or the entire filing may be disapproved. Please be advised that when the Director disapproves the form(s) you must immediately cease using the form(s) in Illinois.

Please give this matter your immediate attention. If you have any question regarding this filing please feel free to contact me.

Sincerely,

Gayle Neuman

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Response Letter

Response Letter Status	Submitted to State
Response Letter Date	02/20/2014
Submitted Date	02/20/2014

Dear Gayle Neuman,

Introduction:

PACO reports statistics to ISO.

Response 1

Comments:

We will continue to use the approved rates for the two Illinois territories. We will apply the applicable Illinois rating territory based on the location of the insured's practice in Illinois.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Please let me know if you need any additional information to complete the review of this filing.

Sincerely,

Judy Shepperd

State:	Illinois	Filing Company:	PACO Assurance Company, Inc.
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Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1		Rating Manual Supplement - Multi-State Policy Ed. 6-2014	I.C.3	New		Rating Manual Supplement - Multi-State Policy Ed. 6-2014.pdf

RATING MANUAL SUPPLEMENT

{Company Name} OUM Chiropractor Program

MULTI-STATE POLICY

Section I, General Rules, C. Premium Computation/Rounding Table, paragraph 3. Is replaced with the following:

3. Multi-State Policy: The primary state is the state where the insured practices more than fifty percent (50%) of the time.

For limited out-of-state practice with similar litigation environments relative to the primary state of practice, the rates and forms of the primary state will be utilized.

If we believe the practice outside of the primary state occurs in an area with a higher frequency and/or severity than the primary state of practice, or if higher limits are requested outside of the primary state, a surcharge may be applicable.

SERFF Tracking #:

PCAG-129416929

State Tracking #:

Company Tracking #:

IL-2386-C

State:

Illinois

Filing Company:

PACO Assurance Company, Inc.

TOI/Sub-TOI:

11.0 Medical Malpractice - Claims Made/Occurrence/11.0003 Chiropractic

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OUM Chiropractic Program

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Supporting Document Schedules

Satisfied - Item:	Explanatory Memorandum
Comments:	
Attachment(s):	IL Explanatory Memorandum (Multi-State Policy Rule).pdf
Item Status:	
Status Date:	

Bypassed - Item:	Form RF3 - (Summary Sheet)
Bypass Reason:	Not applicable.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Certification
Bypass Reason:	Proposing to implement rule filing as a revenue neutral change. Refer to Explanatory Memorandum.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Request to Maintain Data as Trade Secret Information
Bypass Reason:	Not applicable.
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Manual
Comments:	Attached is the markup of the current filed OUM Chiropractor Rating Manual reflecting on page 2 the section being replaced by the rating manual supplement filed in the Rate/Rule Schedule tab.
Attachment(s):	Markup OUM Chiropractor Rating Manual (PACO) Ed. 1-01-08 (Revised 8-15-07).pdf
Item Status:	
Status Date:	

EXPLANATORY MEMORANDUM

PACO Assurance Company, Inc.
OUM Chiropractic Program
2014 Rule Filing
State of Illinois

PACO Assurance Company, Inc. wishes to file for the department's approval the below listed new rule to our OUM Chiropractic Program.

We respectfully request an effective date of **June 1, 2014** for both new business and renewal business.

The primary purpose of this filing is described below.

Rating Manual Supplement - Multi-State Policy

We are expanding our rating rule for multi-state policies to address instances where the company believes a physician who practices in more than one state presents a higher risk than reflected in the rate level of the primary state of practice, or in cases where a physician requests higher limits outside of the primary state of practice. Specifically, the company may apply a surcharge when it believes the practice outside of the primary state of practice occurs in an area with a higher frequency and/or severity than the primary state of practice or if higher limits are requested outside of the primary state. Currently, the company does not apply a surcharge in these instances since this information is not generally collected in all states. Therefore, it is difficult to estimate the rate level impact for this revision. We believe the implementation of this rule will have a negligible impact in rate level and are proposing to implement as a revenue neutral change. However, if the actual impact of implementing this rating plan is material, this impact will be reflected in future rate filings and an appropriate offset to the base rate will be reflected.

RATING MANUAL

FOR

CHIROPRACTIC PHYSICIAN

MALPRACTICE LIABILITY

(OUM Chiropractor Program)

CHIROPRACTIC UNDERWRITING MANUAL PROFESSIONAL LIABILITY

I. GENERAL RULES

This manual includes underwriting rules and regulations as they relate to underwriting for Chiropractic Physician Malpractice Liability.

A. INSURED CLASSIFICATION

1. Individual Chiropractor: Each chiropractor shall be individually written in accordance with these rules.
2. Partnership, Corporation or Professional Association: All owners in the entity must be insured with PACO and maintain the same Limits of Liability. There is no additional premium and the Limit of Liability is shared with the named insured. A separate limit of liability may be purchased for the corporation for an additional cost of 10% of total premium. The maximum charge would be 100% of the mature corresponding limit of liability and the minimum would be 10% of the professional liability premium being charged.
3. Chiropractic Medical Schools: Separate application and policy forms are available for institutional coverage to include interns, teaching staff and students.

B. POLICY TERM

Policies are written for a one year term and may be renewed annually thereafter. On exception, a short-term policy may be issued on a pro-rata basis and then renewed for an annual term thereafter.

C. PREMIUM COMPUTATION/ROUNDING TABLE

1. All premiums are for an annual period.
2. Computation of the premium at inception uses the premium in effect at the time. At each renewal, computation of the premium will be at the premium in effect at the time. If a claims-made policy, retroactive coverage may be provided to the insured's previous policy retroactive date (provided that the chiropractor's prior policy is a claims-made policy).

~~3. Each insured is rated in the state and/or territory where he or she practices more than 50% of the time.~~

~~4.~~ 3. Rounding to the nearest dollar amount is done at each step of the computation process, as opposed to rounding the final premium. (Round a premium involving \$.50 or over to the next higher whole dollar; less than \$.50 to the previous whole dollar.)

D. PREMIUM DISCOUNTS

1. License Date: PACO uses the license date as the reference date to be eligible for discounts. The license date is defined as the first date the chiropractor is eligible to practice chiropractic. We only use one date as the license date to reference discounts. The license date used to reference discounts is the first time a chiropractor ever becomes licensed to practice.

2. Employed: A chiropractor must be employed 100% of the time without ownership interest to receive a 25% employed discount. The insured cannot have any ownership interest and work for the corporation and receive the employed discount. It is pertinent to know who provides coverage for the employer.
3. New Practitioner: The first-year professional liability premium is reduced 75%, the second-year premium 50%, the third-year premium 35% and the fourth-year 20%. No finance charges will be applied to the first, second, third or fourth year. The insured's first licensure date must fall within 18 months of the insured's graduation date. .

The new practitioner discount will be allowed for applicants requesting retroactive coverage up to four years in practice.

4. Risk Management: We offer risk management discounts for insureds who attend certified seminars, complete approved home study courses, or fulfill other approved risk management educational objectives. The chiropractor can receive a 5% and/or 10% credit on their individual policy premium. The risk management discount will only be applied to the doctor's base premium. The maximum total risk management discount available per policy period is 15%. A 10% discount will be granted to new applicants who have completed either a risk management program which would have qualified for a risk management discount with their previous carrier or a continuing medical education program approved under applicable state law.
5. Semi-Retired: Premiums are reduced by 50%.

To qualify for this discount, the insured must be at least 55 years of age, must have been insured with PACO (or an affiliated company) for at least five years immediately prior to becoming semi-retired and must not practice more than 20 hours a week. Prior years of part-time status may be credited if verifiable from the practitioner.

6. Part-Time: To qualify for this discount, the insured must practice 1-10 hours to receive a 50% discount or 11-20 hours a week to receive a 25% discount.
7. Multiple Discounts: The practitioner will receive the greater of the classification discount that applies. For example an insured would receive a 50% semi-retired discount and not an employed chiropractor's discount. The total maximum discount available from the application of all discounts shall be 75%.
8. Leave of Absence: This endorsement gives a 75% discount to the insured and interrupts the policy for special circumstances. These include, but are not limited to, illness, childbirth, sabbatical leave, additional training and other situations as approved by the Underwriting Department. Maximum time for Leave of Absence is 12 months.
9. Schedule Rating: The following schedule of credits or debits may be used to modify premium for certain insureds, reflecting unique exposure present in those risks. These insureds may qualify for schedule rating because of factors not contemplated in the filed rate structure of the company. Pursuant to underwriting judgment, any or all of the following factors may be considered when assigning credits or debits. A combined maximum credit or debit of 25% may be applied to recognize risk characteristics that are not reflected in an otherwise applicable rate. Any credits or debits assigned under this plan are subject to annual review. Premiums may be modified based upon the following exposure and rating characteristics:

	<u>Credit</u>	<u>Debit</u>
Participation in risk management program	0-15%	N/A
Unusual risk characteristics	0-25%	0-25%
Claims free discounts	0-10%	N/A
Record keeping	0-10%	0-10%
Professional loss history/trends	N/A	0-25%
Group practice or association membership	0-20%	N/A

(N/A = not applicable)

E. COVERAGE CHANGE REQUEST

The premium and rules in effect on the effective date of change apply. Coverage may be increased or decreased at any time during the policy year. Premium changes will be computed on a pro-rata basis.

1. Endorsements: Policies involving corporation, partnership or professional association limits of liability must be consistent. Endorsements are not back dated unless coverage has been replaced and verified. Any change in coverage must be submitted in writing and signed by the named insured.
2. Retroactive Coverage (Claims-Made only): A copy of the applicant's current declaration page is required to verify the retroactive date. If retroactive coverage is not approved, the applicant will be advised that Optional Extension Coverage should be purchased from their previous carrier. A practitioner accepted on probation is not allowed retroactive coverage.
3. Locum Tenens Coverage: This coverage will be offered at no charge for periods of sixty days within any policy year, subject to underwriting approval of the replacement chiropractor.

F. RETURN PREMIUM POLICY

1. Deletion of a state mandated coverage is not permitted unless the entire policy is canceled.
2. Premium will be computed for policy cancellation utilizing the initial premium charged.
3. Return premium will be computed pro-rata by rounding to the next higher whole dollar when any coverage is deleted or an amount of insurance is reduced.
4. Premium of \$5.00 or less will be waived or returned to the insured if requested. This waiver only applies to cash exchange due on the endorsement effective date.
5. Return premium is sent to the "Named Insured" regardless of who makes the premium payment. In the event of death of an insured, the return premium is sent "To The Estate of"

G. POLICY CANCELLATION

1. Return premium is computed pro-rata and rounded to the next higher whole dollar when:
 - a. a policy is canceled by the company.
 - b. a policy is canceled by the insured because of retirement, disability or death.
(Notices are sent by certified mail to verify receipt of notification.)
2. Return premium is computed short-rate and rounded to the next higher whole dollar when:
 - a. a policy is cancelled by the insured.
 - b. a policy is cancelled for non-payment of premium

(Notices are sent by certified mail to verify receipt of notification.)

3. A policy canceled for non-payment of premium will not be reinstated unless the total amount of outstanding premium is received. If payment is received after the effective date of cancellation, the policy may be reinstated with a satisfactory underwriting review, and will be charged a \$50 reinstatement fee.
 - a. Cancellation for non-payment will not be effective for 10 working days. Postal holidays and weekends will extend the number of days.
 - b. Cancellation notice will be sent by certified mail return receipt requested.

II. INSURANCE COVERAGE

- A. This policy includes but is not limited to mandatory Chiropractic Professional Liability coverage as a result of providing or failing to provide professional services.
- B. Corporation Professional Liability
 1. Shared Limit of Liability at no additional charge when the Company insures all members of the corporation.
 2. Separate Limit of Liability is optional for an additional 10% of the total premium charged as a result of the net premium of each insured member of the corporation or partnership. The Company must insure all members of the corporation. The maximum charge will be 100% of the mature premium for the corresponding limit of liability and the minimum would be 10% of the professional liability premium being charged.
- C. Regulatory or Administrative Legal Defense Costs Endorsement
This endorsement expands the Chiropractor Professional Liability Policy to include a Legal and Audit Defense Cost Benefit on matters instituted against the insured for specified "covered proceedings" as defined in the endorsement. It will be included with all policies at no additional charge. Limits are \$25,000/\$25,000.
- D. Chiropractic Treatment of Animals Endorsement
This endorsement is available for an additional premium of \$500 per year. It modifies the policy to include limited coverage for the chiropractic treatment of animals. Limits are \$25,000/\$50,000.
- E. Chiropractic Externship Endorsement
This endorsement will be available for no additional premium. It modifies the policy to include coverage for chiropractic externs of the Named Insured. The name of each chiropractic extern will be indicated on the endorsement.

III. LIMITS OF LIABILITY

- A. \$ 100,000 Each Claim / \$ 300,000 Annual Aggregate
- B. \$ 200,000 Each Claim / \$ 600,000 Annual Aggregate
- C. \$ 250,000 Each Claim / \$ 750,000 Annual Aggregate
- D. \$ 500,000 Each Claim / \$1,000,000 Annual Aggregate
- E. \$ 500,000 Each Claim / \$1,500,000 Annual Aggregate
- F. \$1,000,000 Each Claim / \$1,000,000 Annual Aggregate
- G. \$1,000,000 Each Claim / \$3,000,000 Annual Aggregate

IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)

- A. The percentages in the following Table shall be applied to the mature claims-made premium (4th year premium) in the year coverage is being purchased.

<u>Years of Prior PACO (or affiliate) Claims-Made Coverage</u>	<u>Percentage of 4th Year Claims-Made Premium</u>
One	100%
Two	155%
Three	175%
Four or More	180%

- B. The availability of Extended Reporting Period coverage shall be governed by the following rules, subject to underwriting approval.

1. Available Limits of Liability shall not exceed those afforded under the current claims-made policy.
2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of alleged malpractice which occurred subsequent to the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance).
3. Extended Reporting Period Coverage will be provided, with no additional premium due, in the event of death or permanent disability. Permanent disability must have existed continuously for not less than six months, have rendered the insured unable or incapable of practicing or continuing to practice, and expected to be continuous and permanent.
4. Extended Reporting Period Coverage will be available to all chiropractors insured under a claims-made policy except those who are canceled for non-payment of premium and/or non-compliance with the terms and conditions of the policy.
5. Should an insured terminate coverage, the insured may purchase Extended Reporting Period Coverage. The insured is eligible for this coverage provided:
 - a. The insured requests Extended Reporting Period Coverage within 30 days of policy termination and premium is paid.
 - b. The insured requests Extended Reporting Period Coverage within 30 days after the effective date of cancellation of the policy.
6. An insured who retires from practice will receive a 20% discount from the applicable Extended Reporting Period Coverage premium for each consecutive year with PACO (or an affiliated company). These discounts are reflected in the following Table.

<u>Consecutive Years with PACO</u>	<u>Discount Applicable To Extended Reporting Period Coverage Premium</u>
1	20%
2	40%
3	60%
4	80%
5	100%

7. Extended Reporting Period Coverage premium may be waived for policyholders who have been insured by PACO (or an affiliated company) for 5 years and enter full time academia.
8. Extended Reporting Period Coverage premium may be waived for policyholders who have been called to active duty by the United States Military.
9. In the event that the policy is canceled (for reasons other than nonpayment of premium or underwriting reasons) after 10 or more consecutive years of coverage, Extended Reporting Period Coverage shall be provided at no additional charge.